



*United States Attorney
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**MILLION DOLLAR "WORK-AT-HOME" SCAM OPERATOR PLEADS
GUILTY IN MANHATTAN FEDERAL COURT**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that PHILIP PESTRICHELLO pleaded guilty yesterday before United States Magistrate Judge HENRY B. PITMAN in Manhattan federal court to running a "work-at-home" scheme that defrauded consumers nationwide and netted a million dollars. PESTRICHELLO was previously arrested on February 3, 2010, on mail fraud charges relating to his operation of a so-called work-at-home business under the names of various business entities including "Preferred Platinum Services Network, LLC;" "PPSN, LLC;" "the Home Based Associate Program;" and "the Postcard Processing Program" (hereafter, referred to collectively as "PPSN").

According to the Complaint, the Superseding Indictment and statements made at the plea proceeding:

Since June 2007, PPSN defrauded consumers by tricking them into sending money to PPSN under the pretense that the consumers were enrolling in a program that would allow them to earn income at home. In fact, the consumers typically got nothing in return for their payment.

Using the mail, the Internet, and classified print advertisements, PPSN promised consumers the opportunity to earn a "weekly paycheck" by labeling postcards that advertised a product called the "Mortgage Accelerator Program." Consumers were told they could earn \$1.00 for each postcard they labeled.

Statements in PPSN's advertising and mailings to consumers included, for example:

"Would you like an opportunity to earn a \$475 check from home processing Mortgage Products Postcards for our company?"

"EARN \$1.00 PER POSTCARD"

"Rest assured, this is NOT a gimmick or some shady 'get rich quick scheme.' Our company has a rock-solid reputation. . . . As one of our Home Based Associates you could earn \$1.00 (one-dollar) for each Postcard you process and we conveniently offer you weekly compensation directly by Company Check each Friday.

To participate in the program, consumers were required to pay an up-front enrollment fee of \$80 to \$90. The enrollment forms also invited consumers to request rush shipping of materials for an additional fee, typically of \$10 to \$15.

In fact, the vast majority of consumers received no money at all after paying the up-front fee and labeling and returning the postcards as instructed. Even those few individuals who were paid did not receive anything near the promised payments of \$1.00 per postcard.

Consumers were also led to believe by PPSN's marketing materials that they would have to pay a "one-time" enrollment fee and nothing more. However, after consumers paid their enrollment fee, they were asked for more money to remain in the program. Typically, consumers learned for the first time after paying the enrollment fee that they had to pay an additional fee, usually \$40, for a new batch of 100 postcards for processing.

Consumers were also pressured to return their first set of labeled postcards "within 5 days" or risk delays with their paychecks. This caused many consumers to send in money for second and third batches of postcards before receiving payment for the first batch. By the time they realized they were not receiving any paychecks at all from PPSN, many consumers had already sent PPSN between \$150 and \$350. In total, PESTRICHELLO fraudulently obtained approximately \$1 million from consumers through the above-describe scam.

After consumers complained to PPSN that they did not receive the weekly paycheck, they either received no response from the company or were then told, contrary to PPSN's earlier representations regarding the operation of the program, that the program was a "commission" program, and that they would receive a commission only if and when the postcards they sent out generated a sale on the "Mortgage Accelerator" product advertised in the postcards. In fact, the Mortgage Accelerator Program itself appears to have been a sham, non-existent product.

Although the work-at-home program was marketed as offering a "100% Satisfaction Policy" guaranteeing consumers a refund in the event they are not fully satisfied with the program, in fact refunds were rarely, if ever given. If a refund was given, it was typically only after a consumer had complained to law enforcement authorities.

Furthermore, as the Government advised United States District Judge KIMBA M. WOOD during bail proceedings in the case, PESTRICHELLO sent threatening letters to victim-consumers who lodged on-line complaints warning others that PPSN was a scam. For example, in a threatening letter sent to one New York consumer who had filed an online complaint about PPSN, PESTRICHELLO warned that, unless the complaint was withdrawn immediately, "we will proceed by filing a lawsuit against you in The State of New York and you will be subject to prosecution, fines and penalties including monetary damages." The threatening letter even included a fake lawsuit number. The letter caused the victim-consumer to retract her on-line complaint.

Pestrichello's Past History of Operating Similar Scams

As set forth in the Complaint, PHILIP PESTRICHELLO has a history of operating deceptive work-at-home schemes and other consumer frauds going back to the early 1990's.

Between 1992 and 2002, PESTRICHELLO was the subject of numerous enforcement actions by the New Jersey Division of Consumer Affairs, the Office of the Attorney General in the State of Florida, and the United States Federal Trade Commission, in connection with his operation of other consumer fraud schemes. Those actions resulted in permanent injunctions barring PESTRICHELLO from engaging in the type of conduct and business alleged in the Complaint.

In 2003, PESTRICHELLO was convicted of mail fraud, in the United States District Court for the Southern District of New York, in United States v. Pestrichello, 03 Cr. 667 (GEL), in connection with the marketing and sale of a work-at-home scheme under the business name "IMXT & Co." He was sentenced to 36 months in prison in that case. PESTRICHELLO operated PPSN, while on supervised release after his release from prison.

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PESTRICHELLO pleaded guilty to one count of mail fraud, which carries a maximum sentence of 20 years in prison. He is scheduled to be sentenced by Judge WOOD on October 26, 2010. The

case against co-defendant ROSALIE FLORIE and PESTRICHELLO'S wife, is pending.

PESTRICHELLO is 38 years old. Prior to his arrest, he resided in Bayville, New Jersey. He has been held in custody since his arrest.

U.S. Attorney PREET BHARARA stated: "For nearly 20 years, Philip Pestrichello has preyed on the especially vulnerable -- the economically disadvantaged, the unemployed, the disabled, or elderly individuals -- who are trying to supplement their income by working from home. Pestrichello even began committing his work-at-home scam within one year from his release from prison for a prior scam. If Pestrichello thought he was unstoppable, he was wrong. We will continue to work with the United States Postal Inspection Service and the United States Federal Trade Commission to apprehend and prosecute others like him who target consumers through fraudulent marketing campaigns."

Mr. BHARARA praised the work of the Newark, New Jersey Division of the United States Postal Inspection Service and the United States Federal Trade Commission and thanked them for their assistance in this case.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This case is being prosecuted by the Office's Complex Frauds Unit. Assistant United States Attorney LISA ZORNBERG is in charge of this prosecution.

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